

2. Because Midlands has experienced increased operating expenses, and anticipates additional increased expenses resulting from Midlands' need for capital improvements and related environmental requirements, an increase in rates is a necessity, and therefore pursuant to S.C. Code Ann. §58-5-240, Midlands respectfully applies for the approval of a new two step schedule of rates and charges for sewerage service provided to its residential and commercial customers in all areas served, to be implemented in two stages. Notice of its intention to file the new schedules was given more than the required thirty (30) days prior to this application.

3. Midlands' last rate increase was approved on January 19, 1996, and was based on the level of operating expenses experienced in 1994. The complexities of meeting capital improvements, together with resulting necessary financing costs and environmental schedules, require rates to increase prior to commencement of construction of Midlands' capital improvements. The first increase required will raise rates to pay for new costs created by construction necessary for capital improvements (see schedule of proposed rates and charges during construction shown by category and monthly charges attached hereto and incorporated herein by reference in Exhibit 2, see "During Construction," Column II, page 1). A second increase in rates will be required upon completion of all construction (see schedule of proposed rates and charges upon completion of construction shown by category and monthly charges attached hereto and incorporated herein by reference, also in Exhibit 2, see "After Construction," Column III, page 1).

4. The new schedule of rates and charges effective during the period of construction will create additional monthly revenues of \$26,353.00 to the monthly revenue generated during the test year ending June 30, 2004 (see Exhibit 2 incorporated

herein by reference). The new schedule of rates and charges effective upon completion of construction create additional monthly revenues of \$29,282.00 to the monthly revenue generated during the test year ending June 30, 2004 (see Exhibit 2, incorporated herein by reference). The rates and charges proposed herein will allow Midlands the opportunity to earn a reasonable operating margin and a reasonable return on its rate base. The proposed new rates and charges are necessary to assure confidence in the financial soundness of the company and to provide adequate and sufficient service to Midlands' customers.

5. Midlands is informed and believes that such schedules for rate increases are just, lawful and reasonable, and it intends to put the new schedules into operation for service rendered on or after the expiration of the time prescribed in S.C. Code Ann. §58-5-240 (C) or (D) whichever is applicable, unless otherwise sooner ordered by this Commission.

6. Midlands and two other closely held corporations, namely Bush River Utilities, Inc. ("Bush River") and Development Services, Inc. ("DSI"), are all owned and operated by two brothers, Keith G. Parnell and C. Ken Parnell, each owning equal shares of these three family owned corporations. The corporations are connected by virtue of ownership, common purpose, staffing, and inter-company borrowings of assets and equipment. Each of the three corporations is a public utility within the meaning of S.C. Code Ann. §58-5-10(3), and is therefore regulated by the Commission.

7. Midlands further submits that the long term business plan of its owners is to effect a merger of all assets and liabilities of the three corporations into one corporation. Because of common ownership, the ability to operate essentially as one utility provides economies of scale justifying the merger of the functions of the three corporations into one

**Midlands Utility, Inc.**  
**Income and Statement of Expenses – Base Year and Projections**  
**(as measured in dollars)**

	I	II	III
	06/30/2004	Projections	
	Base Year	During Construction	After Construction
<u>Revenue</u>	<u>\$956,194</u>	<u>\$1,272,432</u>	<u>\$1,307,582</u>
Salaries – Officers	55,192	75,000	75,000
Salaries – Other	156,550	160,000	160,000
Repairs	71,772	72,000	72,000
Taxes	29,528	30,000	35,000
Interest	2,749	35,505	40,485
Depreciation	30,293	30,000	76,750
Chemicals	10,639	10,000	5,000
Vehicle Exp	18,305	20,000	20,000
Professional	166,643	125,000	75,000
Utilities	40,963	40,000	60,000
Other Operating Exp	8,388	10,000	10,000
Rate Case Exp	0	20,000	20,000
Insurance	79,295	88,000	98,000
Telephone & Office Exp	17,551	18,000	18,000
DHEC Fines	30,451	40,000	20,000
Contract Service (DSI)	0	27,120	25,588
<u>Total OP Expenses</u>	<u>718,319</u>	<u>800,625</u>	<u>810,823</u>
*Treatment Expense	265,021	376,000	376,000
Total Expenses	983,340	1,176,625	1,186,823
Operating Income	(27,146)	95,807	120,759
Other Income	28,806	18,000	18,000
Revenue Before Taxes	1,660	113,807	138,759
Income Taxes	0	28,452	34,690
Net Income	1,660	85,355	104,069

**MIDLANDS UTILITY, INC.**  
**INCOME STATEMENT- BASE YEAR AND PROJECTIONS**  
**BASE YEAR ENDING 6/30/04**

REVISED 11/11/2004

										<u>PASS THRU CUSTOMERS</u>		<u>MIDLANDS TREATMENT</u>		<u>PASS THRU</u>	<u>MIDLANDS TREATMENT</u>		
TOTAL FUNDS PROJECTIONS										% TO		% TO		\$ TO		\$ TO	
EXPENDED DURING										DUR CON		DUR CON		AFTER CONST		AFTER CONST	
BASE YEAR										COLL		COLLECTION		TREAT		COLLECTION	
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	REVENUE & RATE CALCULATIONS			
	DURING CONSTRUCTION		AFTER CONSTRUCTION	
	COLLECTION	TREATMENT	COLLECTION	TREATMENT
OPERATING EXPENSE	\$591,400	\$209,225	\$567,956	\$242,867
DHEC FINE	(31,776)	(8,224)	(15,888)	(4,112)
OTHER INCOME	(14,299)	(3,701)	(14,299)	(3,701)
NET EXPENSES	\$545,325	\$197,300	\$537,769	\$235,054
REVENUE REQUIRED FOR REASONABLE RETURN AFTER TAXES	\$634,820	\$261,612	\$662,743	\$268,839
*TREATMENT COST	\$376,000	\$0	\$376,000	\$0
TOTAL REVENUE	\$1,010,820	\$261,612	\$1,038,743	\$268,839
ADJUST FOR UNCOLLECTIBLES	\$1,026,213	\$265,596	\$1,054,561	\$272,933
NO. OF SFE	2353	584	2353	584
MONTHLY RATE	\$36.34	\$37.90	\$37.35	\$38.95
AVERAGE TREATMENT COST	\$13.32		\$13.32	
PASS THROUGH RATE	\$23.03		\$24.03	

\*TREATMENT COST BASED ON CAYCE  
CHARGING OUTSIDE CITY RATE

**Midlands Utility, Inc.**  
**New Rate Schedule during Construction**

Schedule of Residential Rates

A) Customers wastewater treated by Midlands wastewater plants:

Type of Residence	Monthly Service Charge
Permanent Base	\$37.90 per month
Apartments (per unit)	\$37.90 per month
Mobile Base	\$28.43 per month

B) Customers wastewater treated by others (pass-thru rate):

Type of Residence	Monthly Service Charge
Permanent Base	\$23.03 per month
Apartments (per unit)	\$23.03 per month
Mobile Base	\$17.27 per month

Schedule of Commercial Rates

A) Customers wastewater treated by Midlands wastewater plants:

Type of Establishment	Monthly Service Charge
Convenience Store	\$37.90 per month per SFE
Other	\$37.90 per month per SFE

B) Customers wastewater treated by others (pass-thru rate):

Type of Establishment	Monthly Service Charge
Convenience Store	\$23.03 per month per SFE
Other	\$23.03 per month per SFE

Tap Fees

Residential	\$500.00 per SFE
Commercial	\$500.00 per SFE

Plant Expansion and Modification Fees (Midlands Facilities)

Residential	\$2,000.00 per SFE
Commercial	\$2,000.00 per SFE

Plant Expansion and Modification Fees (Other Facilities)

Customers whose sewage is treated by any entity other than Midlands Utility. These fees are paid directly to the entity providing treatment. These entities include the City of Cayce, Town of Winnsboro, Orangeburg Department of Public Utilities, Carolina Water Service, Inc.

Other Charges

New Customer Set Up	\$25.00
Disconnect Notice	\$14.00

**Midlands Utility, Inc.**  
**New Rate Schedule After Construction**

Schedule of Residential Rates

A) Customers wastewater treated by Midlands wastewater plants:

Type of Residence	Monthly Service Charge
Permanent Base	\$38.95 per month
Apartments (per unit)	\$38.95 per month
Mobile Base	\$29.21 per month

B) Customers wastewater treated by others (pass-thru rate):

Type of Residence	Monthly Service Charge
Permanent Base	\$24.03 per month
Apartments (per unit)	\$24.03 per month
Mobile Base	\$18.02 per month

Schedule of Commercial Rates

A) Customers wastewater treated by Midlands wastewater plants:

Type of Establishment	Monthly Service Charge
Convenience Store	\$38.95 per month per SFE
Other	\$38.95 per month per SFE

B) Customers wastewater treated by others (pass-thru rate):

Type of Establishment	Monthly Service Charge
Convenience Store	\$24.03 per month per SFE
Other	\$24.03 per month per SFE

Tap Fees

Residential	\$500.00 per SFE
Commercial	\$500.00 per SFE

Plant Expansion and Modification Fees (Midlands Facilities)

Residential	\$2,000.00 per SFE
Commercial	\$2,000.00 per SFE



Plant Expansion and Modification Fees (Other Facilities)

Customers whose sewage is treated by any entity other than Midlands Utility. These fees are paid directly to the entity providing treatment. These entities include the City of Cayce, Town of Winnsboro, Orangeburg Department of Public Utilities, Carolina Water Service, Inc.

Other Charges

New Customer Set Up	\$25.00
Disconnect Notice	\$14.00